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CORPORATE SUSTAINABILITY AND ECONOMIC LAW IN HONDURAS: A REGULATORY PATHWAY FOR THE STRENGTHENING OF MSMES

SOSTENIBILIDAD EMPRESARIAL Y DERECHO ECONÓMICO EN HONDURAS: UNA RUTA NORMATIVA PARA EL FORTALECIMIENTO DE LAS MIPYMES

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ABSTRACT

This article examines the relationship between economic law and corporate sustainability in Honduras, focusing on micro, small, and medium-sized enterprises (MSMEs). We review the doctrinal foundations of sustainable economic law, the national and comparative regulatory frameworks, and empirical evidence drawn from interviews with 30 experts and surveys of 200 MSMEs in Tegucigalpa, San Pedro Sula, and La Ceiba. Findings reveal a fragmented legal architecture, weak inter-institutional coordination, and insufficient incentives for transitioning toward sustainable business models. We propose a Framework Law on Corporate Sustainability to integrate fiscal and financial incentives, institutional capacity building, technical assistance, national certification, and sustainable public procurement. We conclude that corporate sustainability requires a comprehensive legal reform grounded in economic efficiency, social justice, and environmental responsibility, in alignment with SDGs 8, 9, 12, and 16. Methodologically, we adopt a mixed approach with analytical triangulation and a critical discussion of regional and international literature. Implications include enhanced productivity, formalization, and competitiveness of MSMEs, alongside reduced negative externalities and strengthened public governance.

Palabras clave:
sostenibilidad empresarial, derecho económico, MIPYMES, marco normativo, Honduras.

RESUMEN

Este artículo analiza la relación entre el derecho económico y la sostenibilidad empresarial en Honduras, con foco en las micro, pequeñas y medianas empresas (MIPYMES). Se examinan las bases doctrinales del derecho económico sostenible, el marco normativo nacional y comparado, y la evidencia empírica recabada mediante entrevistas a 30 expertos y encuestas a 200 MIPYMES en Tegucigalpa, San Pedro Sula y La Ceiba. Los resultados muestran un entramado jurídico fragmentado, baja articulación interinstitucional e insuficiencia de incentivos para la transición hacia modelos productivos sostenibles. Se propone una Ley Marco de Sostenibilidad Empresarial orientada a articular incentivos fiscales y financieros, fortalecer capacidades institucionales y promover asistencia técnica, certificación nacional y compras públicas sostenibles. Se concluye que la sostenibilidad empresarial exige una reforma normativa integral basada en los principios de eficiencia económica, justicia social y responsabilidad ambiental, en coherencia con los ODS 8, 9, 12 y 16. Metodológicamente, se adopta un enfoque mixto con triangulación analítica y discusión crítica de la literatura regional e internacional. Las implicaciones abarcan la mejora de la productividad, la formalización y la competitividad de las MIPYMES, además de la reducción de externalidades negativas y el refuerzo de la gobernanza pública.

Introduction

Honduran MSMEs are the core of the productive fabric and employment, but they operate under structural restrictions of financing, informality and low productivity that limit their transition to sustainable business models. In a country where more than 70% of the labor force is engaged in small-scale activities, business sustainability is no longer a voluntary option but a prerequisite for economic resilience and long-term competitiveness. However, the institutional and regulatory reality of the country shows that companies face an unpredictable and fragmented environment with few support mechanisms to undertake the transition to sustainable practices.

In this context, economic law, understood as the set of principles, rules and institutions that regulate economic activity in the general interest, provides an essential architecture for aligning private incentives with public objectives of sustainable development. Its field encompasses not only the regulation of markets, the organization of productive activity and the design of public policies, but also the configuration of institutions capable of coordinating, supervising and promoting processes of innovation and productive transformation. In its contemporary dimension, economic law incorporates the paradigm of sustainability and demands a regulatory design capable of integrating economic efficiency, environmental responsibility and social justice.

International literature suggests that predictable regulatory frameworks, incentive-based policy instruments and coordinated governance are necessary conditions to catalyze the productive transition (Porter & Kramer, 2011; OECD, 2020; UNCTAD, 2019). Countries that have made significant progress in corporate sustainability show a common pattern: clear regulations, specific fiscal and financial incentives, one-stop shops to simplify procedures, industrial policies aligned with environmental objectives and an institutional framework capable of monitoring and evaluating results. These elements reduce uncertainty, promote investment in innovation and make it easier for small companies to incorporate more efficient processes, clean technologies and responsible production standards.

In Honduras, corporate sustainability has been addressed in a fragmented manner through scattered regulations on the environment, competitiveness, MSMEs, land use planning and public procurement. This regulatory dispersion generates overlaps and gaps, in addition to increasing regulatory compliance costs for companies operating with limited resources. The absence of an integrated strategy hinders the construction of clear signals for private investment and limits the State's capacity to induce sustainable changes in the productive apparatus. In terms of economic law, this situation translates into coordination failures and regulatory risks that discourage the adoption of clean technologies, efficient resource management and business formalization.

Likewise, the lack of green financing schemes adapted to business size prevents MSMEs from capturing learning rents, accessing economies of scale and improving their competitiveness. In other countries in the region, green credit mechanisms, partial guarantees, competitive innovation funds and tax incentives have proven to be key to promoting sustainable transition. However, in Honduras these instruments are absent or have not been implemented in a comprehensive manner, which limits the investment possibilities of smaller companies, especially in sectors such as light manufacturing, commerce and agribusiness.

On the other hand, international pressure towards responsible practices driven by global environmental regulations, value chain standards, trade agreements and climate commitments poses an additional challenge for Honduran MSMEs. Companies that do not incorporate sustainable practices will face barriers to integrating into regional and global markets. This makes sustainability not only an ethical imperative, but also a condition for accessing dynamic markets, attracting investment and generating quality employment.

Against this backdrop, it becomes necessary to understand business sustainability as a multisectoral and multidimensional phenomenon that depends on the interaction between regulation, institutional capabilities, productive structure and business conditions. From the perspective of economic law, sustainability cannot be promoted through isolated regulations; it requires a coherent regulatory architecture, effective economic instruments, strong institutions and governance mechanisms that articulate all the actors involved.

This article pursues three main objectives: (i) delimit a conceptual framework of sustainable economic law applicable to MSMEs, highlighting the principles, instruments and doctrinal foundations that support it; (ii) analyze the Honduran regulatory framework and its regional comparison to identify gaps, overlaps and opportunities for harmonization; and (iii) present empirical evidence on perceptions and behaviors of MSMEs and experts regarding barriers and incentives, in order to support a proposal for a Framework Law on Business Sustainability. The contribution of the study is twofold. On the one hand, it systematizes a dispersed regulatory field that lacks a solid conceptual anchor. On the other, it proposes an institutional and instrument design that internalizes externalities, reduces information asymmetries and corrects market failures through incentives compatible with inclusive growth (Sen, 1999; Sachs, 2015).

The document is structured in six sections. The first section presents the theoretical and legal framework underpinning sustainable economic law. Subsequently, the Honduran regulatory context and its regional comparison are examined. The third section describes the methodology used; the fourth section presents the main results of the empirical work; the fifth section discusses the findings in light of international literature; and the sixth section presents the conclusions and a proposal for a Framework Law on Corporate Sustainability adapted to the Honduran reality.

Theoretical and Legal Framework of Sustainable Economic Law

Sustainable economic law is defined as the regulatory system that guides economic activity towards the creation of value with environmental responsibility and social justice, internalizing externalities and correcting market failures through regulatory and incentive instruments. This concept integrates the traditional principles of economic law, public economic order, market regulation, state intervention and protection of the general interest with the postulates of sustainable development, which require a dynamic balance between economic growth, environmental protection and social welfare. In this way, sustainable economic law ceases to be understood solely as a set of rules on productive activity and becomes a legal architecture that modulates behaviors, structures markets and creates conditions for the transition to more resilient and equitable economic models.

Unlike purely command-and-control approaches, which impose obligations without considering costs, capabilities or incentives, sustainable economic law prioritizes intelligent combinations of standards, pricing, information, financing and public procurement, accompanied by institutions capable of implementing, coordinating and evaluating policies. Instead of relying exclusively on regulatory mandates, it incorporates economic instruments that reward compliance, reduce uncertainty and generate positive signals for companies that adopt responsible practices. The literature agrees that the articulated use of these instruments produces more efficient results, promotes innovation and decreases business resistance to regulations (OECD, 2019).

From institutional economics, formal and informal rules shape transaction costs, the reliability of markets and the predictability of the economic environment (Stiglitz, 2010). A fragmented or inconsistent regulatory system increases compliance costs and discourages investment. In business sustainability, this translates into the need for regulatory certainty for investments in energy efficiency, circular economy, eco-design, clean technologies and responsible management of natural resources. The lack of clarity or regulatory articulation may become a greater obstacle than the financial costs of sustainability itself.

The literature on shared value highlights that well-designed regulation can induce innovation, improve productivity and increase competitiveness by correcting market failures that prevent firms from internalizing long-term benefits (Porter & Kramer, 2011). Under this approach, sustainability is no longer seen as a burden, but as an engine of growth, capable of opening markets, improving reputation, reducing risks and strengthening relationships with consumers and supply chains. Companies that operate under consistent regulatory frameworks and with appropriate incentives tend to be more competitive in the medium term, especially when international markets demand higher standards.

Complementarily, the human development approach argues that institutional and citizen capabilities condition the results of any intervention (Sen, 1999). In terms of sustainable economic law, this implies that the impact of regulations will depend not only on their design, but also on the capacity of institutions to implement them, enforce them and accompany productive actors in their transition. Public institutions must have the technical, financial and human resources to carry out their mandates, and companies require access to information, technical assistance and tools to enable them to adopt new practices.

Comparatively, several Latin American countries have created advanced frameworks to promote clean production, energy efficiency and sustainable public procurement. Colombia articulated the Green Growth Policy, introduced tax benefits for environmental investments, created specialized financial instruments and made progress in measuring sustainable productivity. Chile strengthened the Extended Producer Responsibility Law (REP), developed the National Circular Economy Strategy and consolidated a multisectoral governance model with clear goals and follow-up mechanisms. Costa Rica has made significant progress with its Carbon Neutral Country Program and has integrated sustainability criteria into its tourism, agricultural and industrial policies. These cases evidence that corporate sustainability requires a comprehensive design that combines fiscal, financial and market instruments, as well as recognized certifications and standards that create clear long-term signals (OECD, 2020; UNCTAD, 2019).

The lessons learned from these experiences are relevant for Honduras, as they show that sustainability cannot depend only on strict environmental regulations, but on an articulated ecosystem that includes incentives, strong institutions and multilevel coordination. Regulatory coherence, understood as the cross-cutting alignment of sectoral, fiscal, environmental, industrial and municipal policies, is essential to avoid duplication, reduce transaction costs and ensure that companies do not face contradictory signals.

Honduran and Comparative Regulatory Context

Relevant Honduran legislation includes the Law for the Promotion and Development of MSMEs, the General Environmental Law, the Law for the Promotion of Competitiveness, public procurement regulations and sectoral provisions (energy, waste, water). Nevertheless, overlaps and gaps persist: (i) absence of a comprehensive regime of green tax incentives for MSMEs; (ii) limited coordination between environmental and productivity goals in industrial policy; (iii) limited incorporation of sustainability criteria in public procurement; and (iv) weak multilevel coordination for implementation and oversight.

Despite having a broad set of laws and regulations, the Honduran regulatory framework lacks a comprehensive approach to articulate the objectives of corporate sustainability with those of competitiveness, innovation and territorial development. The MSME Law, for example, prioritizes job creation and formalization, but does not incorporate environmental incentives, eco-efficiency standards or green financial instruments to promote the transition to sustainable models. Similarly, the General Environmental Law establishes general environmental protection obligations, but does not contain specific provisions or provisions adapted to the operating capacity of small companies, which generates disproportionate regulatory burdens and low compliance capacity.

In addition, public procurement regulations represent a missed opportunity to accelerate the sustainable transition. In several countries, sustainable public procurement functions as a driver of innovation and a direct stimulus for companies to adopt environmental and social standards. In Honduras, however, sustainability criteria are not systematically incorporated into the bidding, awarding and evaluation processes, which limits their impact on the market. The absence of clear guidelines in this area produces uncertainty and reduces the State's capacity to generate green demand that encourages business transformation (OECD, 2020).

Regulatory fragmentation is also reflected in sectoral policies: while energy legislation promotes efficiency and diversification, the regulation of solid waste, wastewater or land use continues to operate with traditional criteria that do not integrate principles of circular economy, technological innovation or extended producer responsibility. This lack of horizontal coherence generates regulatory contradictions and hinders the adoption of coordinated policies that promote corporate sustainability as a cross-cutting objective.

Unlike comprehensive frameworks observed in the region, Honduras lacks a framework law that aligns objectives, instruments and governance. This lack of comprehensiveness generates high transaction costs and reduces the effectiveness of interventions. A Corporate Sustainability Framework Law would consolidate principles, create proportional incentives, establish a national certification system and articulate an inter-institutional coordination unit, with goals, indicators and public reporting schemes.

In countries such as Colombia, Chile, Costa Rica and Mexico, the existence of framework laws or national sustainable production policies has facilitated the implementation of economic and regulatory instruments, as well as the creation of institutions responsible for coordinating intersectoral efforts. In Colombia, for example, the Green Growth Policy establishes fiscal and financial mechanisms to promote clean investments, while Chile has developed a robust framework based on the REP Law and national circular economy strategies. These experiences demonstrate that policy coherence is a critical factor for the success of sustainability policies (ECLAC, 2022).

In contrast, Honduras presents structural governance challenges: coordination between the secretariats in charge of economy, environment, energy, industry and finance is limited, resulting in duplicated, inconsistent or contradictory interventions. At the operational level, the institutions lack mechanisms for joint planning, information exchange, sustainability indicators and impact assessment systems. All of this limits the State's capacity to design evidence-based public policies with a long-term vision.

At the municipal level, local governments have key competencies (land use, permits, fees) that can be aligned with the sustainable transition through waste management ordinances, green infrastructure incentives and sustainable local purchasing programs. Vertical coordination between levels of government is essential to avoid duplication and to channel climate finance to projects with territorial impact. However, in practice, municipalities face budgetary restrictions, technical limitations and limited coordination with national authorities, which reduces their capacity to play a more active role in corporate sustainability.

Furthermore, administrative decentralization has not been accompanied by the financial resources necessary for local governments to implement environmental policies, undertake training campaigns or monitor compliance with regulations. In the absence of territorial financing instruments, business sustainability depends excessively on isolated projects, international cooperation or voluntary efforts of private actors, without a structural policy to ensure continuity and scalability.

The comparative context shows that corporate sustainability is more effective when legislation integrates clear principles, economic instruments, fiscal incentives, certification mechanisms, technical assistance and sustainable public procurement processes. Lacking such a framework, Honduras faces the risk of falling behind in the transition to more demanding value chains, especially in sectors such as agribusiness, manufacturing, tourism, textiles and international trade, where environmental and social standards are becoming increasingly important.

In summary, the Honduran regulatory context shows important advances in sectoral legislation, but a significant lack of articulation and regulatory coherence. The introduction of a Corporate Sustainability Framework Law is a strategic opportunity to organize the regulatory ecosystem, integrate modern public policy instruments and strengthen institutional governance. This transformation is especially relevant for MSMEs, which require a regulatory environment that is clearer, more predictable and adapted to their operational capabilities.

Method

A mixed sequential approach was adopted. In the qualitative phase, 30 semi-structured interviews were conducted with experts in law, economics, environment and public policy (academics, regulators, unions and consultants). In the quantitative phase, a structured survey was applied to 200 MSMEs in Tegucigalpa, San Pedro Sula and La Ceiba. The questionnaire collected information on regulatory knowledge, environmental practices, perceived barriers, access to financing and willingness to adopt certifications.

The sampling combined criteria of convenience and stratification by sector (manufacturing, services, commerce) and size (micro, small, medium). Informed consent and anonymity protocols were implemented. The content validity of the instrument was assured by expert review; reliability was estimated with Cronbach's alpha for Likert scales.

- Qualitative analysis was performed by thematic coding and constant comparison.
- The quantitative analysis included descriptive statistics, tests of association and logit models to explore the probability of adoption of sustainable practices as a function of regulatory knowledge, access to finance and business size.
- Triangulation integrated both approaches to strengthen plausible causal inferences.

Results

The results reveal three main findings. First, regulatory awareness is low: only 28% of the companies identified at least one relevant regulation and only 18% said they were aware of the existence of some type of incentive related to sustainability. This finding reveals a significant gap between the regulatory supply and the ability of companies to interpret, understand and apply it. Most MSMEs lack clear information about their legal obligations, available opportunities or procedures for accessing public programs, which limits their ability to make strategic decisions aimed at sustainability. This situation also reflects problems of institutional communication and the absence of effective mechanisms for dissemination, training and support.

Second, the most recurrent barriers are the cost of compliance, lack of financing and administrative complexity. Companies perceive that the capital required to adopt clean technologies, improve administrative processes, manage waste or implement energy efficiency practices exceeds their financial capacity. Likewise, the traditional banking structure shows little flexibility to offer financial products adapted to the flows, size and perceived risk of small enterprises, especially in informal or semi-formal sectors. Administrative complexity also appears as a determining factor: many environmental, fiscal or municipal procedures are considered long, costly and lacking in transparency, which generates disincentives and encourages short-term decisions. In this sense, the current regulatory environment does not favor the adoption of sustainable practices, particularly among micro and small companies, which face greater operating capacity restrictions.

Third, there is a high willingness to adopt sustainability measures if clear incentives, technical assistance and public procurement with specific criteria are offered. The survey shows that more than 70% of MSMEs would be willing to implement energy efficiency practices, proper waste management or certification processes if there were direct economic benefits, access to credit with preferential conditions or technical advice provided by public institutions or business development centers. This finding is consistent with international literature indicating that small businesses tend to respond favorably when public policy mechanisms reduce their adoption costs and allow them to visualize tangible returns in the short and medium term (OECD, 2019; IDB, 2021).

In logit models, regulatory knowledge and access to credit significantly increase the probability of adopting energy efficiency and waste management practices. The econometric analysis shows that MSMEs with more legal information are more likely to adopt sustainable practices, which confirms the importance of regulatory education, regulatory clarity and technical assistance. Access to credit appears as a robust determinant: companies that have had contact with formal financial institutions show greater capacity to invest in efficient equipment, solar panels, LED lighting, waste management systems and other green assets. Empirical evidence is consistent with regional studies linking green credit and guarantee schemes with improvements in productivity and sustainability (ECLAC, 2020; UNCTAD, 2019).

Likewise, MSMEs with links in formal supply chains show a greater propensity to become certified, suggesting a pull effect from larger clients and exporters. Companies that operate with corporate suppliers, supermarkets, hotel chains or exporters must comply with stricter standards, which encourages the adoption of environmental and social measures. This result highlights the importance of integrating MSMEs into sustainable value chains and promoting public policies that strengthen business linkages.

The interviews identified the need for a coordinating institutional framework with a clear mandate, as well as instruments proportional to size. The experts agreed that the dispersion of regulations and the lack of inter-institutional coordination constitute one of the greatest barriers to business sustainability in Honduras. They pointed out that the absence of an entity in charge of articulating public policies on sustainability generates overlapping, duplication and disjointed programs, which hinders their effectiveness. They also stated that any regulatory progress must take into account business heterogeneity and design instruments that are proportional to the real capabilities of MSMEs.

Among the most recurrent proposals is the creation of a scheme of partial guarantees and preferential rates for green investments, in order to increase access to financing and reduce the perception of risk by financial institutions. The need to implement a staggered national certification that allows companies to advance in stages, accumulating evidence of compliance without facing disproportionate burdens was also highlighted. This type of certification has shown successful results in countries such as Chile and Costa Rica, where they have become tools for improving competitiveness and facilitating participation in sustainable value chains.

The interviewees also pointed out the importance of incorporating sustainability criteria in public procurement, starting with categories with a high environmental footprint or social risk. Sustainable public procurement can become a key driver of the transition, given the economic weight of the state as a purchaser and the influence it exerts on markets. This approach could encourage companies to adopt good practices to remain competitive in bidding processes.

In summary, the quantitative and qualitative results show that corporate sustainability in Honduras faces structural barriers related to information, financial capacity, regulatory design and institutional governance. However, there is a significant willingness on the part of MSMEs to incorporate sustainable practices, provided there are adequate incentives, technical support and clear regulatory mechanisms. The evidence points to the urgency of a comprehensive regulatory framework that coordinates institutions, reduces compliance costs, encourages green financing and facilitates certification processes tailored to business capabilities.

In order to complement the quantitative and qualitative findings obtained during the fieldwork, the following four figures summarize the most relevant information derived from the study. These visualizations make it possible to observe territorial patterns, levels of regulatory knowledge, main legal and institutional barriers, as well as the mechanisms proposed by experts to strengthen business sustainability in Honduran MSMEs. Their inclusion facilitates the comparative understanding of the results, provides graphic evidence of the phenomena analyzed and contributes to a more comprehensive interpretation of the legal and economic framework evaluated.

Figure 1
Georeferencing of the surveyed MSMEs

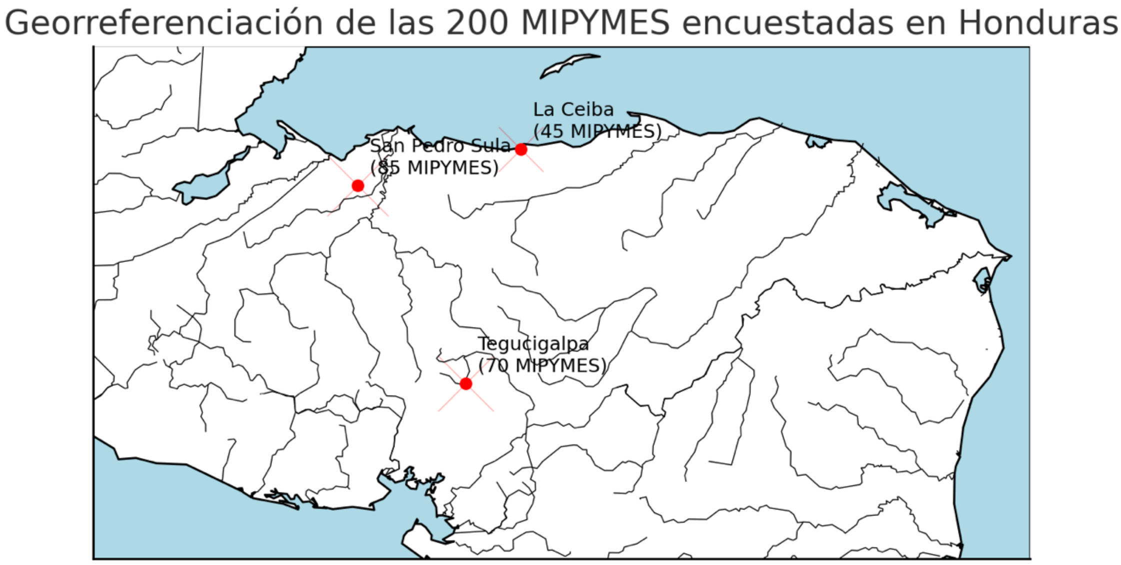


Figure 2
Knowledge of legal regulations

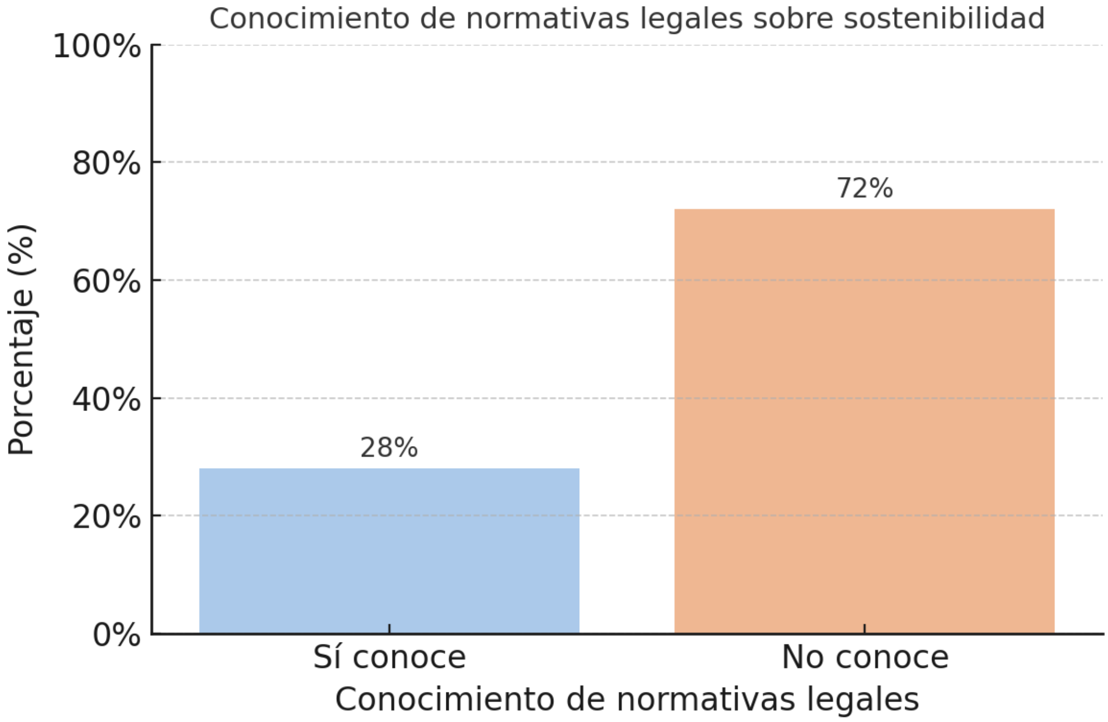
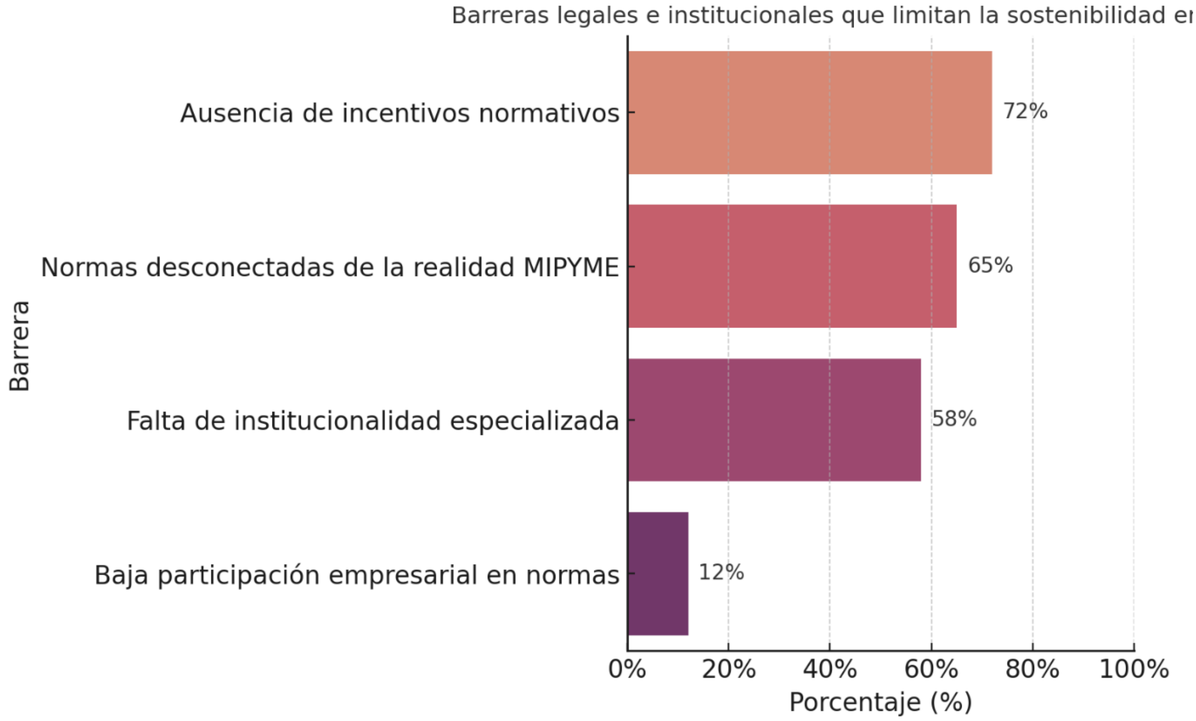


Figure 3
Legal and institutional barriers that limit sustainability



Note. Adapted from ECLAC (2021) and Carbonell (2020).

Figure 4
Legal mechanisms proposed by experts

Note. Own elaboration (Baca Calix, 2025).

Discussion

The findings confirm that regulatory fragmentation and weak institutional coordination raise compliance costs and erode the effectiveness of public intervention. From the prism of economic law, the absence of a comprehensive policy amounts to a problem of incentive design: firms face contradictory signals and uncertain time horizons, which discourages investments with intertemporal returns. When the regulatory framework lacks coherence, MSMEs experience structural uncertainty, reflected in scattered procedures, duplicated requirements and the absence of articulated instruments. This translates into short-term decisions that privilege operational survival over sustainability and innovation.

Compared to regional experiences, Honduras lags behind in the integration of fiscal (acceleration of green depreciation, tax credits, deferred VAT for clean technologies), financial (credit lines with guarantees and first-loss) and informational (labeling, certification) tools. While countries such as Colombia, Chile and Costa Rica have managed to establish coherent regulatory architectures that integrate economic incentives, national certifications and sustainable public procurement, Honduras maintains a sectorized approach that limits the effectiveness of interventions. This lack of comprehensiveness generates transaction costs that fall disproportionately on MSMEs, which have less financial leeway and less technical capacity to navigate complex regulatory systems.

However, there are capacities installed in development banks, international cooperation and sectoral agencies that can be articulated under a framework law. Public banks, MSME centers and environmental agencies have accumulated experience in technical assistance, financing and supervision, but operate in isolation. Institutional coordination through a higher regulatory framework would make it possible to take advantage of these capabilities and reduce duplication of efforts. International experience shows that inter-institutional coordination, when formalized through clear regulatory frameworks, produces substantial improvements in administrative efficiency, access to financing and adoption of sustainable practices (OECD, 2020; ECLAC, 2022).

In the literature, the "shared value" argument suggests that predictable regulations that internalize externalities stimulate innovation and productivity (Porter & Kramer, 2011, p. 63). This is consistent with evidence that MSMEs with greater regulatory knowledge and access to credit adopt more sustainable practices. The existence of a stable regulatory environment not only reduces companies' perceived risk, but also encourages long-term strategies based on energy efficiency, eco-design, waste reduction and process digitalization. Public policies that integrate incentives and regulatory certainty generate both private and social returns, strengthening the business fabric and promoting inclusive development.

Regulatory proportionality and technical support are feasibility conditions to avoid regressive effects on small firms. International evidence shows that the fixed costs of compliance affect micro and small enterprises more intensely, so interventions must be adapted to their real capacity. This includes the need to introduce gradual implementation of standards, one-stop shops, free or low-cost technical assistance, tailored green financing and phased certifications. Without these mechanisms, sustainability runs the risk of becoming a privilege for medium-sized or large companies, deepening structural gaps.

The results also dialogue with the human development approach (Sen, 1999) and the political economy of sustainability (Sachs, 2015): without institutional capacities, transparency and participation, legal instruments lose effectiveness. Sustainable development requires institutions capable of formulating evidence-based policies, assessing impacts, guaranteeing access to information and generating environments of trust between the public and private sectors. Business and citizen participation, as well as accountability, are key to strengthening governance and ensuring that policies respond to real needs and not just formal mandates.

Therefore, the regulatory proposal emphasizes governance, monitoring, evaluation and accountability, in addition to economic incentives. The Business Sustainability Framework Law proposed in this study seeks not only to introduce fiscal and financial instruments, but also to consolidate a robust inter-institutional architecture, with measurable goals, coordination mechanisms and a national information system to monitor progress and challenges. The evidence suggests that without this institutional component, any regulatory effort runs the risk of being dispersed or losing impact. In summary, the discussion shows that business sustainability in Honduras depends on both regulatory design and the state's capacity to coordinate, implement and evaluate public policies. The integration of modern instruments, regulatory coherence and institutional strengthening is a prerequisite for MSMEs to move towards sustainable, competitive and resilient production models.

Proposal for a Framework Law on Business Sustainability for MSMEs

The proposal for a Framework Law on Business Sustainability for MSMEs arises as a response to the identified regulatory fragmentation, the absence of effective incentives and the need to strengthen public governance in the area of sustainability. The purpose of this law is to establish a comprehensive legal framework to facilitate the business transition towards responsible production models, reducing transaction costs, providing regulatory certainty and promoting sustainable innovation. The proposed regulatory architecture is structured under five headings, ranging from fundamental principles to mechanisms for the evaluation and ongoing review of public policy.

Title I - Principles and Definitions

The purpose of the first title of the Law is to establish the guiding principles that will guide the public policy of business sustainability for MSMEs in Honduras. This title incorporates essential principles of environmental law and sustainable economic law, among them:

- Environmental progressivity, which obliges the State to gradually increase environmental standards and requirements in accordance with business capabilities and technological progress.
- Prevention and precaution, to guide public and private decisions to reduce environmental and social risks.
- Polluter responsibility, through the "polluter pays" principle, which seeks to internalize negative externalities.
- Regulatory proportionality, recognizing that MSMEs require a gradual regulatory treatment, adapted to their operational and financial capacity.

This title also defines key concepts that will enable the technical and legal homologation of the system: corporate sustainability, circular economy, eco-design, sustainable public procurement, national certification, energy efficiency, clean production, institutional scaffolding, among others. Having clear regulatory definitions avoids interpretative gaps and aligns criteria between public institutions, municipalities, companies and cooperation agencies.

Title II - Economic and Financial Instruments

This title constitutes the operative heart of the Law, as it introduces economic instruments aimed at encouraging the adoption of sustainable practices. The proposed mechanisms include:

Deductions and tax credits for investment in clean technologies: The plan is to allow companies to deduct from income tax a percentage of investments made in efficient machinery, solar panels, waste management systems, environmental certifications and other green technologies.

Accelerated depreciation of green assets: The law proposes to allow investment in environmental assets to be depreciated more quickly, which reduces the initial tax burden and improves the profitability of sustainable projects.

Green credit lines with partial guarantees and first-loss schemes: These lines would be administered by development banks and would facilitate access to credit through state guarantees, reducing the risk perceived by commercial banks. The first-loss scheme, for example, allows the state to absorb the first losses of a green portfolio to stimulate private investment.

Competitive funds for sustainable innovation: This fund would finance projects in digitalization, energy efficiency, eco-design, circular economy, waste management, green technologies and certification processes. The allocation would be competitive and evaluated by independent technical committees.

Technical assistance and business extension: The law proposes to strengthen MSME centers and promote university-business alliances through consulting, incubation, innovation laboratories and sustainability training programs. This assistance is essential to reduce learning costs and facilitate the adoption of new technologies.

This title reflects a paradigm shift from a punitive regulatory model to one based on incentives, access to financing and strategic technical support.

Title III - Institutionality and Coordination

The third title establishes a new institutional architecture for corporate sustainability. It proposes the creation of the Interinstitutional Unit for Corporate Sustainability (UISE), responsible for coordinating policies, articulating instruments and ensuring regulatory coherence. This unit would be made up of the governing secretariats of the economy, environment, energy and finance, as well as representatives of local governments and development banks.

In addition, it is proposed to create a National Advisory Council on Business Sustainability, with the participation of business associations, cooperatives, academia, civil society, cooperation agencies and independent experts. This council will make it possible to build evidence-based policies, strengthen transparency and legitimize the decision-making process.

This title also establishes the obligation of annual plans, strategic lines of intervention, progress indicators and vertical coordination mechanisms between municipalities and the central government. Its purpose is to ensure stability, continuity and effective governance.

Title IV - Certification and Sustainable Public Procurement

This degree introduces a fundamental pillar to generate sustainable demand in the market: the National Certification of Business Sustainability, organized in levels (basic, intermediate and advanced). Its staggered nature allows MSMEs to progressively advance without facing disproportionate burdens.

The certification would include categories related to energy efficiency, waste management, regulatory compliance, responsible labor practices and eco-design. The law also proposes mutual recognition with international standards, which would facilitate the insertion of MSMEs in export value chains.

In the area of public procurement, this title establishes the progressive incorporation of sustainability criteria in government contracting processes. Public institutions should include environmental clauses, sustainable technical requirements and performance-based evaluation mechanisms. It is suggested to start with the sectors with the greatest impact: construction, energy, food, cleaning and transportation.

Title V - Monitoring and Evaluation

Finally, the fifth title creates the National Business Sustainability Information System, which will compile information on certified companies, green investments, regulatory progress, environmental indicators, institutional performance and results of the instruments implemented.

The system will allow the generation of annual public reports, independent audits and impact evaluations. In addition, the law includes regulatory review clauses every three years, in order to update instruments, modify incentives and adjust policies based on evidence and new technological or international trends.

This title recognizes that sustainability is a dynamic process that requires continuous learning and adaptive policies.

Conclusions and Implications

The transition of Honduran MSMEs towards sustainable models requires a legal-economic redesign that aligns incentives, reduces transaction costs and strengthens institutional capacities. A comprehensive approach, embodied in a Business Sustainability Framework Law, can catalyze investment, innovation and formalization, while reducing negative externalities. Regulatory proportionality and technical support are necessary conditions for viability and equity. These elements allow sustainability to operate not as an additional burden for small companies, but as an opportunity for growth, competitiveness and productive resilience.

The findings show that the Honduran regulatory framework faces structural problems: regulatory fragmentation, weak institutional coordination, lack of economic incentives and lack of green financing. In this context, corporate sustainability can only move forward if the State adopts a coherent regulatory architecture that articulates fiscal, financial, informational and governance instruments. The integration of these instruments into a single framework law would reduce regulatory uncertainty, improve administrative efficiency and create favorable conditions for private investment.

The study also shows that MSMEs are highly willing to adopt sustainable practices, provided that there are clear incentives, technical support schemes and accessible financing mechanisms. This indicates that business sustainability does not depend solely on the size or economic capacity of companies, but on the existence of public policies that reduce barriers and facilitate the adoption of new practices. It is therefore essential that policy instruments be proportional to the size of the business and that they include training, technical advice and ongoing support.

Policy implications include: (i) prioritize economic instruments combined with smart regulation; (ii) create a coordinating institutional framework with a mandate and resources; (iii) develop tiered national certification and sustainable public procurement; and (iv) channel green financing with guarantees and technical assistance. These strategic lines are key pillars for advancing towards a more competitive and innovative production model that is consistent with the Sustainable Development Goals.

In institutional terms, the creation of an inter-institutional unit specializing in corporate sustainability would improve coordination between sectors, reduce duplication and promote the coherence of public policies. Similarly, the implementation of sustainable public procurement can generate significant demand for responsible products and services, thus encouraging the transition of thousands of MSMEs towards cleaner and more efficient practices.

Future research should evaluate distributional and sectoral impacts, as well as territorial dynamics. It is necessary to analyze how the proposed instruments would affect each economic sector, and whether they could generate differentiated effects between urban and rural areas. Future lines of research should also examine the role of local governments, the linkage with value chains and the relationship between business sustainability and digitalization, elements that emerged as relevant in the study but require further analysis.

The transition to sustainability also implies recognizing that MSMEs operate in environments of high economic, climatic and social vulnerability. In this regard, a Framework Law should incorporate provisions that strengthen business resilience in the face of external shocks, such as economic crises, natural disasters or fluctuations in supply chains. Integrating sustainability with risk management will enable companies not only to adopt responsible practices, but also to have tools to anticipate, mitigate and recover from adverse events. This is especially relevant in Honduras, where exposure to climatic phenomena and the informality of the business fabric demand preventive and adaptive regulatory frameworks capable of protecting productive continuity and employment.

Furthermore, evidence suggests that corporate sustainability cannot be consolidated without a cultural change that promotes values of accountability, efficiency and transparency in both the public and private sectors. For this reason, the Framework Law must incorporate awareness-raising, education and continuous training strategies aimed at developing capabilities in sustainability, innovation and regulatory compliance. The cultural transformation required involves promoting a long-term vision, reinforcing business ethics and strengthening trust between the State, companies and citizens. In this process, universities, research centers, trade unions and civil society organizations play a decisive role in generating knowledge, disseminating good practices and building an economically responsible and environmentally conscious citizenry.

Overall, the findings of this study reinforce the idea that corporate sustainability must become a structural axis of Honduran economic policy. MSMEs have enormous potential to contribute to more inclusive and environmentally responsible development, provided that the regulatory environment provides them with clear incentives, certainty and institutional support to undertake the transition.

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